

Strategy for Allocating Financial Resources in Public Financial Management

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Abstract:

Purpose: The main purpose of the study is to identify the role and significance of the distribution of financial resources in modern conditions and substantiate the main directions of the formation of financial resources in public finance management.

Method: An institutional methodology was used using the methods of logical analysis, comparative evaluation of statistical data, abstraction, analysis of the best practices of foreign countries.

Results: The results of the study are of both theoretical and practical interest and can be recommended to regional organizations of the Ministry of Innovative Development and the Ministry of Finance of the Republic of Uzbekistan for use in determining priority areas for venture investment.

Keywords: public finances, management, international experience, strategy, budget, financial system.

Financial management is called the purposeful formation of the process of redistribution of financial resources between various subjects of the financial system and within them [1], activities to attract and efficiently use financial resources.

The strategic goal of the state program of the Republic of Uzbekistan is public finance management to ensure the long-term sustainability of the budgetary system of the Republic of Uzbekistan. The main tasks are to increase the efficiency of public finance management and ensure the balance of the republican budget, which is very important in a recession.

A number of measures have been taken in Uzbekistan to improve the system of public finances. In particular, the approval of the State Budget by the Parliament, the publication of the “Budget for Citizens”, which is posted on the information portal openbudget.uz. Data on the execution of the State budget are published in accordance with the standards of the IMF State Financial Statistics (GFS), the role of kengashes and khokimiyats in the formation of local budgets has increased.

The Resolution of the Cabinet of Ministers approved the Strategy for Improving the Public Finance Management System of the Republic of Uzbekistan for 2020–2024 (dated August 24, 2020 No. 506).

The document was adopted in accordance with the Decree of the President dated December 30, 2019 No. PP-4555 “On measures to ensure the implementation of the Law of the Republic of Uzbekistan “On the State Budget of the Republic of Uzbekistan for 2020”.

The Strategy approved by the resolution combines in one document the specific goals, objectives and main directions of ongoing and planned reforms in the field of public finance. It was developed on the basis of an analysis of the current budget system conducted by the World Bank

in 2018 using the PEFA methodology, the results of an assessment of the effectiveness of public finance management, as well as diagnostic assessments of fiscal policy transparency under the IMF Transparency Code.

The strategy identifies six main areas for further improvement of the public financial management system of Uzbekistan for 2020–2024:

- Development of a framework for medium-term budgeting and introduction of a new system for the formation of an annual results-oriented budget;
- increasing the institutional capacity and responsibility of the participants in the budget process to ensure the reliability of macro-fiscal forecasts;
- increasing the powers and accountability of budget managers and local self-government bodies in the field of the budget and strengthening their responsibility;
- assessment of fiscal risks, accounting for financial assets and liabilities, as well as the introduction of an effective management system;
- Strengthening financial discipline by unifying budget reporting standards, improving the system of internal control and audit, and strengthening parliamentary and public control over the budget process;
- Ensuring transparency, completeness of budget information and its compliance with international standards.

State budget revenues of the Republic of Uzbekistan tend to grow due to several factors. Government revenues are generated from:

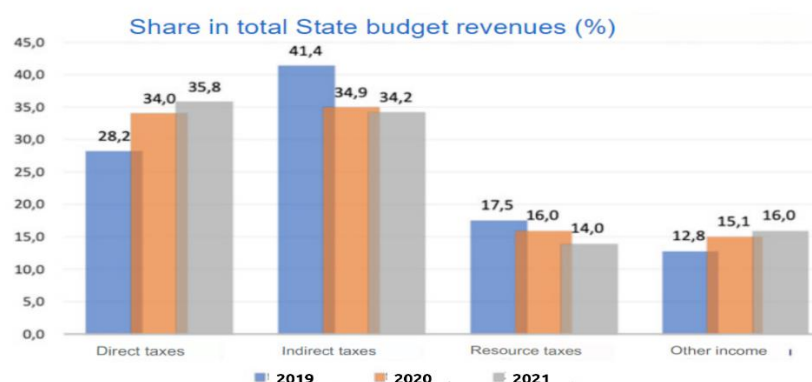
- taxes levied by both central and local authorities;
- non-tax revenues made up of income from foreign economic activity, as well as income from state-owned property;
- income of target budget funds.

The state budget revenues of Uzbekistan in 2021 amounted to 164.7 trillion soums, or 31.7 trillion soums (+23.9%) more than the same period last year, follows from the report of the Ministry of Finance (.pdf).

Together with state trust funds, this figure reached 196.4 trillion soums (+26.7%).

Revenues administered by the tax authorities amounted to 127.9 trillion soums, which is 24.3 trillion soums (+23.5%) more than in 2020, including receipts from large taxpayers - 82.3 trillion soums (an increase of 14.6 trillion soums). Revenues administered by customs authorities increased by 8.5 trillion soums (+34.5%) to 33.2 trillion soums.

The structure of state budget revenues



Along with economic growth, the growth in budget revenues was influenced by the persistence of high world prices for precious metals, the easing of quarantine restrictions, and the introduction of new tax control and administration tools.

An increase in state budget revenues as such does not lead to an improvement in the situation in various sectors of the economy, only the correct distribution of budgetary funds can help improve the living standards of the population, as well as private and public institutions.

The law establishes the main macroeconomic indicators and forecasts of revenues and expenditures of the consolidated State budget for 2022, as well as budget targets for 2023-2024. The law introduces significant changes to the tax policy. This provides for the support and development of industries that have a significant share in the gross domestic product (GDP).

In particular, it is planned that in 2022 the country's GDP growth rate will be 6.0%, including 7% in industry, 8.1% in construction, and 3.3% in agriculture. The maximum size of the deficit of the consolidated budget of the Republic of Uzbekistan for 2022 is set at 3% of GDP.

In order to support the financing of socially significant national state programs, as well as projects for the formation of industrial and non-industrial infrastructure, the established amounts of grant funds allocated from foreign sources to managers of budgetary funds of the first level are increased without amending this Law.

In 2022, consolidated budget revenues are projected at 254.6 trillion soums, or 30.3% of GDP. State budget revenues are determined in the amount of 199.5 trillion soums, or 23.8% of GDP.

Revenues of state trust funds are planned in the amount of 31.9 trillion soums, expenses - 58.7 trillion soums. In addition, it is planned to allocate funds from the State budget to the social sphere, in particular, 46.9 trillion soums for spending on education, 22.8 trillion soums for spending on healthcare, 3.4 trillion soums for spending on culture and sports and 1.5 trillion soums - for the costs of measures for the further development of science.

In conclusion, based on the data on the growth of the state budget over several years, it can be concluded that the management of the state budget is carried out in stages and in the right direction for Uzbekistan, given today's realities. Our recommendations for balancing and proper distribution of the state budget are to improve the following areas: ensuring the balance and sustainability of the country's budget system, organizing work to increase revenues to regional budgets, improving the efficiency and optimization of regional budget expenditures, improving program-target methods of financial management and increasing the efficiency of using budgetary funds, the formation of the country's budget forecast for a long-term period (it will allow to establish the maximum volume of financial support for the implementation of state programs of the Republic of Uzbekistan for the period of their validity, taking into account the parameters of the socio-economic development of the region), the introduction of an audit of the effectiveness of budget expenditures into the system of state financial control, increasing openness and transparency of data on the budget process in the Republic of Uzbekistan as a whole.

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